

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT is made as of the _____ day of _____, 2004, by and between [NEW PREMERA CORP.], a Washington corporation (“New PREMERA”), and NEW PREMERA BLUE CROSS BLUE SHIELD OF ALASKA CORP., an Alaska for-profit corporation (“Premera Alaska”).

Recitals.

1. Premera Blue Cross, a Washington non-profit corporation, in connection with its reorganization to a stock corporation transferred certain assets to Premera Alaska, including individual and group contracts to Premera Alaska, pursuant to a Transfer of Assets Agreement dated • (“Transfer of Assets Agreement”). Premera Blue Cross then transferred its remaining assets and liabilities to New PREMERA and thereafter dissolved.
2. In connection with its review of the foregoing reorganization, the Alaska Division of Insurance (the “DOI”) required New PREMERA to provide certain guarantees and other financial commitments to Premera Alaska. New PREMERA desires to agree to provide such commitments, subject to the terms and conditions contained herein.
3. New PREMERA and Premera Alaska entered into this Agreement in anticipation of the execution of the transaction documents set forth in Exhibit A, which is attached hereto and incorporated by this reference herein (collectively, the “Transaction Documents”).

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Guaranty.

a. Subject to the terms and conditions contained herein, New PREMERA hereby agrees to guarantee (i) to the full extent of its assets, all of the contractual and financial obligations of Premera Alaska to its insureds, in accordance with the Blue Cross Blue Shield Association Guidelines to Administer the Controlled Affiliate License Agreement(s) and Standards, Standard 2—Financial Responsibility; and (ii) the expenses, liabilities and other obligations of Premera Blue Cross that were transferred to Premera Alaska as provided under the Transfer of Assets Agreement in the event that Premera Alaska is unable to pay or provide for such expenses.

b. Subject to the terms and conditions contained herein, New PREMERA hereby agrees to provide capital contributions to Premera Alaska in an amount necessary for Premera Alaska to maintain a risk based capital position of 375%. The determination of whether such capital contributions are necessary shall be made at the time Premera

Alaska is required under applicable Alaska law to file with the DOI its risk-based capital report. Any capital contributions required under this subsection shall be provided to Premera Alaska within thirty (30) days following the filing of such risk-based capital report.

2. Term and Termination. Subject to receipt of all applicable government approvals, this Agreement shall become effective upon the date of the reorganization of Premera Blue Cross (the "Effective Date") and shall terminate on the third anniversary of the Effective Date; provided, however, the provisions of Section 1(a) above shall not terminate except upon the written consent of the parties hereto, and the Alaska Division of Insurance.

3. Successors and Assigns. This Agreement shall bind and inure to the benefit of the parties and each and all of their respective heirs, executors, administrators, successors and assigns.

4. Notices. All notices, consents, requests, demands and other communications hereunder shall be in writing, and shall be deemed to have been duly given or made: (a) when delivered in person, (b) three (3) days after deposited in the United States mail, first class postage prepaid, (c) in the case of telegraph or overnight courier services, one (1) business day after delivery to the telegraph company or overnight courier service with payment provided, or (d) in the case of telex or telecopy or fax, when sent, verification received; in each case addressed as follows:

(i) if to New PREMERA:

New PREMERA Corp.
P.O. Box 327
Mail Stop 316
Seattle, Washington 98111
Attention: John P. Domeika,
Senior Vice President and General Counsel
Facsimile: (425) 918-5267

with a copy to:

Preston Gates & Ellis LLP
925 Fourth Avenue, Suite 2900
Seattle, Washington 98104
Attention: C. Kent Carlson
Facsimile: (206) 623-7022

and

Sullivan & Cromwell
125 Broad Street
New York, New York 10004
Attention: William D. Torchiana
Facsimile: (212) 558-3588

(ii) if to Premera Alaska:

Premera Blue Cross Blue Shield of Alaska Corp.
2550 Denali Street, Suite 1404
Anchorage, AK 99503
Attention: Jeff Davis, President
Facsimile: (907) 258-1619

5. Governing Law and Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of Alaska, without regard to Alaska's conflict of law or choice of law rules.

6. Attorneys' Fees. In the event of any suit or other proceeding between the parties hereto with respect to the subject matter hereof, the prevailing party shall, in addition to such other relief as the court may award, be entitled to recover reasonable attorneys' fees, expenses and costs of investigation, all as actually incurred, including, without limitation, attorneys' fees, costs and expenses of investigation incurred in appellate proceedings or in any action or participation in, or in connection with, any case or proceeding under Chapters 7, 11 and 13 of the United States Bankruptcy Code or any successor thereto.

7. Amendments and Waivers. No amendment, modification, supplement, termination, consent or waiver of any provision of this Agreement, and no consent to any departure herefrom, shall in any event be effective unless the same is in writing and is signed by the party against whom enforcement of the same is sought. Any waiver of any provision of this Agreement and any consent to any departure from the terms of any provision of this Agreement shall be effective only in the specific instance and for the specific purpose for which given. No delay on the part of any party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof, no waiver on the part of any party hereto of any right, power or privilege hereunder shall operate as a waiver of any other right, power, or privilege hereunder, and no single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. The waiver or consent (whether express or implied) by any party of the breach of any term or condition of this Agreement shall not prejudice any remedy of any other party in respect of any continuing or other breach of the terms and conditions hereof, and shall not be construed as a bar to any right or remedy which any party would otherwise have on any future occasion under this Agreement.

8. Entire Agreement. This Agreement, including any exhibits or attachments referred to herein, together with the Transaction Documents, contain the entire agreement between the parties hereto regarding the subject matter hereof and may not be amended, altered or modified except by a writing signed by the parties hereto. This Agreement supersedes all prior agreements, representations, warranties, statements, promises, information, arrangements and understandings, whether oral or written, express or implied, with respect to the subject matter hereof, all of which are specifically integrated into this Agreement; provided that this Agreement shall not be interpreted as superseding any of the other Transaction Documents or provisions in the Plan of Conversion. No party hereto shall be bound by or charged with any oral or written agreements, representations, warranties, statements, promises, information, arrangements or understandings, express or implied, not specifically set forth herein or in the Transaction Documents or provisions in the Plan of Conversion; and the parties hereto further acknowledge and agree that in entering into this Agreement they have not in any way relied and will not rely in any way on any of the foregoing not specifically set forth herein or in the Transaction Documents or provisions in the Plan of Conversion.

9. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10. Descriptive Headings. The descriptive headings used herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

11. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, shall be held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be in any way impaired thereby, it being intended that all remaining provisions contained herein shall not be in any way impaired thereby.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first set forth above.

NEW PREMIERA CORP.

By: _____
Its: _____

PREMERA BLUE CROSS BLUE SHIELD OF ALASKA CORP.

By: _____
Its: _____

EXHIBIT A
THE TRANSACTION DOCUMENTS

BCBSA License Agreements

Excess Share Escrow Agent Agreement

Unallocated Shares Escrow Agreement

New PBC Guaranty Agreement

PBC-AK Guaranty Agreement

Intellectual Property License Agreement

Intercompany Services and Cost Allocation Agreement

Intercompany Tax Sharing Agreement

LifeWise/New LifeWise Transfer of Assets Agreement

New Premiera Blue Cross/New Premiera Blue Cross of Alaska Management Agreement

Premiera Blue Cross/New Premiera Blue Cross Transfer of Assets Agreement

Premiera Blue Cross/New Premiera of Alaska Transfer of Assets Agreement

New PBC/PREMERA Transfer of Shares Agreement

Premiera Blue Cross Plan of Reorganization and Plan of Distribution

PREMERA/New PREMIERA Transfer of Assets Agreement

PREMERA Plan of Reorganization and Plan of Distribution

Quality Solutions/New Quality Solutions Transfer of Assets Agreement

Registration Rights Agreement

Voting Trust and Divestiture Agreements

Plan of Conversion